

Message Text

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ORIGIN PM-04

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 EB-07 MC-02 TRSE-00 OMB-01 ACDA-05

COME-00 /068 R

DRAFTED BY PM:DMCCLINTOCK:RM

APPROVED BY EUR:RDVINE

EUR/CAN:DAKRUSE

H:MR. DOBBS

DOD/ISA:JTIMBERLAKE

DOD:OGC:MR. FOREMAN

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA IMMEDIATE

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E.O. 11652: GDS

TAGS: MASS, CA

SUBJECT:FY 76 FOREIGN MILITARY ASSISTANCE ACT AND IMPLICATION FOR CANADIAN-LOCKHEED SALE

1. AS EMBASSY AWARE, BOTH SENATE AND HOUSE HAVE PASSED THEIR RESPECTIVE FY 76 SECURITY ASSISTANCE BILLS WHICH NOW READY TO BE RESOLVED IN CONFERENCE. AMENDED SECTION 36(B) PROCEDURES IN BOTH VERSIONS WOULD DEFINITELY APPLY TO SALE OF MAGNITUDE SUCH AS GOC-LOCKHEED LRPA CONTRACT. PRINCIPAL FEATURE OF THIS SECTION IS CONGRESSIONAL VETO THROUGH CONCURRENT RESOLUTION WITHIN 30 DAYS OF SUBMISSION OF PROPOSED LETTER OF OFFER.

2. BOTH HOUSE AND SENATE VERSIONS PROVIDE THAT NO MAJOR CONFIDENTIAL

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DEFENSE EQUIPMENT, VALUED AT 25 MILLION DOLLARS OR MORE,

MAY BE LICENSED FOR COMMERCIAL EXPORT, I.E., IT MUST BE SOLD THROUGH FMS CHANNELS. MAJOR DEFENSE EQUIPMENT IS DEFINED AS THAT HAVING A TOTAL RESEARCH AND DEVELOPMENT INVESTMENT FOR HARDWARE OF 50 MILLION DOLLARS OR MORE, OR A TOTAL ESTIMATED PRODUCTION COST, BOTH RECURRING AND NON-RECURRING, OF 200 MILLION DOLLARS OR MORE. HOUSE BILL CONTAINS A POTENTIALLY TROUBLESOME NINE BILLION DOLLAR GLOBAL ANNUAL ARMS SALES CEILING APPLICABLE TO THE AGGREGATE OF FMS AND DIRECT COMMERCIAL SALES CONTRACTED. SENATE VERSION

WOULD EXTEND SECTION 36(B) PROCEDURES TO

- (1) COMMERCIAL SALES OF MAJOR DEFENSE EQUIPMENT OF LESS THAN 25 MILLION DOLLARS;
- (2) COMMERCIAL SALES OF OTHER DEFENSE ARTICLES AND SERVICES OF MORE THAN 25 MILLION DOLLARS;
- (3) MANUFACTURING LICENSING AGREEMENTS.

3. FYI: AT THIS TIME IT IS IMPOSSIBLE TO PREDICT OUTCOME OF FINAL BILL. BEST GUESS IS THAT BILL COULD BE ENACTED BY APRIL 1. IF ENACTED IN EITHER FORM LOCKHEED WOULD NOT BE ABLE TO SIGN CANADIAN CONTRACT. CANADIAN EMBASSY AWARE OF THIS POSSIBILITY AND HAS ALERTED OTTAWA TO SIGNIFICANCE OF PENDING LEGISLATION. KISSINGER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, MILITARY AIRCRAFT, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE056632
Document Source: CORE
Document Unique ID: 00
Drafter: DMCLINTOCK:RM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760088-0019
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760379/aaaacrzs.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN PM
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 12 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 APR 2004 by CunninFX>; APPROVED <17 AUG 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: Y 76 FOREIGN MILITARY ASSISTANCE ACT AND IMPLI- CATION FOR CANADIAN-LOCKHEED SALE
TAGS: MASS, CA, LOCKHEED
To: OTTAWA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006